



Peterson
Allred
Jackson

CITY OF PROVIDENCE

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2005**

■ Certified Public Accountants
Business Consultants

2100 North Main • North Logan, Utah 84341

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INTRODUCTORY SECTION



Providence City

15 South Main Street
Providence, Utah 84332
(435) 752-9441 • FAX (435) 753-1586

September 20, 2005

Providence City Council
Providence, Utah

Council:

It is with great pleasure that the financial statements for the City of Providence for the year ended June 30, 2005, is presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the City of Providence. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Providence's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Providence for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Providence's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Alma Leonhardt
City of Providence

FINANCIAL SECTION

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Peterson
Alfred
Jackson

■ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Providence
Providence, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results for our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The combining nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis of the financial statements of the City. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Alfred Jackson

September 20, 2005



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Providence, we offer readers of the City of Providence's financial statements this narrative overview and analysis of the financial activities of the City of Providence for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The total net assets of the City of Providence increased approximately 5.3% to \$11,532,470.
- The total net assets of \$11,532,470 is made up of \$8,213,539 in capital assets net of related debt and \$3,318,931 in other net assets.
- Total long-term liabilities of the City decreased by \$464,895 due to regular principal payments.
- Business-type activities total net assets increased \$647,756.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City of Providence's basic financials statements. The City of Providence's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Providence's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the City of Providence's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Providence is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Providence that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Providence also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds - The City of Providence maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Providence uses enterprise funds to account for its Water Utility and Wastewater Collection Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Providence, assets exceed liabilities by \$11,532,470.

By far the largest portion of the City of Providence's net assets (71%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 1,718,319	\$ 1,707,268	\$ 2,302,739	\$ 2,088,714
Capital assets	3,340,436	3,444,916	8,505,149	8,420,664
Total assets	5,058,755	5,152,184	10,807,888	10,509,378
Long-term debt outstanding	336,958	425,761	3,299,448	3,675,540
Other liabilities	528,015	468,647	169,752	142,906
Total liabilities	864,973	894,408	3,469,200	3,818,446
Net assets:				
Invested in capital assets, net of debt	3,007,838	3,019,155	5,205,701	4,745,124
Restricted	877,097	773,909	1,689,685	1,507,640
Unrestricted	308,847	464,712	443,302	438,168
Total net assets	\$ 4,193,782	\$ 4,257,776	\$ 7,338,688	\$ 6,690,932

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenues:				
Program revenues:				
Charges for services	\$ 1,001,763	\$ 1,024,992	\$ 1,596,442	\$ 1,415,960
Operating grants & contributions	18,809	11,020	-	-
Capital grants & contributions	173,025	211,788	-	-
General revenues:				
Property taxes	294,080	271,723	-	-
Other taxes	659,697	564,279	-	-
Investment income	35,931	18,263	34,215	17,589
Other revenues	6,208	6,339	-	-
Total revenues	2,189,513	2,108,404	1,630,657	1,433,549
Expenses:				
General government	1,149,898	838,190	-	-
Public Works	80,549	48,942	-	-
Highways/public improvements	850,109	687,209	-	-
Parks & recreation	172,951	224,500	-	-
Water	-	-	509,268	552,606
Wastewater collection	-	-	473,633	390,412
Total expenses	2,253,507	1,798,841	982,901	943,018
Increase (decrease) in net assets	(63,994)	309,563	647,756	490,531
Net assets beginning	4,257,776	3,948,213	6,690,932	6,200,401
Net assets ending	\$ 4,193,782	\$ 4,257,776	\$ 7,338,688	\$ 6,690,932

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the June 30, 2005, the City's governmental funds (General and Capital Projects) reported combined fund balances of \$1,185,944. This represents an increase of \$47,462 over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 44% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 45% of total tax revenues and represents 20% of total general fund revenues. This compares with 19% in the prior fiscal year ended June 30, 2004.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include capital projects expenses resulting in new asset values of \$264,963.

Significant changes in business-type activities include a \$376,092 decrease in debt in the water and sewer funds due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$2,122,400 to a final budget of \$2,641,500 (24%). These increases were made to take advantage of revenues and expense being higher than originally anticipated for administration costs, sanitation, streets, parks, and capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The City of Providence's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$11,845,585 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was .02% (due to new purchases exceeding depreciation).

Major capital asset events during the current fiscal year included the following:

- \$90,153 for street and sidewalk improvements.
- \$53,933 for the cemetery and park improvements.
- \$71,899 for a vehicle storage building.
- \$215,924 for water improvements.
- \$139,639 for sewer improvements.

CITY OF PROVIDENCE'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 541,275	\$ 289,866
Buildings	502,337	195,724
Improvements	823,150	10,793,036
Infrastructure	3,583,085	—
Machinery & equipment	607,840	177,442
Less: Accumulated depreciation	<u>(2,717,251)</u>	<u>(2,950,919)</u>
Total	<u>\$ 3,340,436</u>	<u>\$ 8,505,149</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2005, the City had total bonded debt outstanding of \$3,549,000. Of this amount \$1,097,000 is considered to be general obligation debt and backed by the full faith and credit of the City; and the remainder of \$2,452,000 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

CITY OF PROVIDENCE'S OUTSTANDING DEBT

	Business-type Activities	Governmental Activities
General obligation bonds- sewer and road	\$ 780,000	\$ 317,000
Revenue bonds	<u>2,452,000</u>	<u>—</u>
Total outstanding debt	<u>\$ 3,232,000</u>	<u>\$ 317,000</u>

The City's bonded debt decreased by \$440,000 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

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CITY OF PROVIDENCE
STATEMENT OF NET ASSETS
JUNE 30, 2005
With Comparative Totals for 2004

ASSETS	Governmental	Business-type	Memorandum Total	
	Activities	Activities	2005	2004
Cash	\$ 384,941	\$ 452,386	\$ 837,327	\$ 916,901
Account receivable	58,887	120,590	179,477	160,385
Taxes receivable	322,326	-	322,326	307,335
Restricted taxes receivable	36,388	-	36,388	53,041
Bond discounts	7,620	40,078	47,698	55,272
Restricted cash	840,709	1,689,685	2,530,394	2,228,508
Due from other funds	67,448	-	67,448	74,540
Capital assets				
Land and water rights	541,275	289,866	831,141	829,391
Buildings	502,337	195,724	698,061	626,162
Improvements	823,150	10,793,036	11,616,186	11,205,040
Infrastructure	3,583,085	-	3,583,085	3,492,932
Machinery & equipment	607,840	177,442	785,282	759,055
Less: Accumulated Depreciation	(2,717,251)	(2,950,919)	(5,668,170)	(5,047,000)
Total assets	<u>\$ 5,058,755</u>	<u>\$ 10,807,888</u>	<u>\$ 15,866,643</u>	<u>\$ 15,661,562</u>
LIABILITIES				
Checks in excess of deposits	-	69,696	69,696	15,219
Accounts payable	229,755	78,968	308,723	293,724
Interest payable	3,260	21,088	24,348	27,610
Long-term payables:				
Due within one year	89,161	381,092	470,253	464,896
Due in more than one year	247,797	2,918,356	3,166,153	3,636,405
Deferred revenue	295,000	-	295,000	275,000
Total liabilities	<u>864,973</u>	<u>3,469,200</u>	<u>4,334,173</u>	<u>4,712,854</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,007,838	5,205,701	8,213,539	7,764,279
Restricted for:				
Debt service and proceeds	-	865,826	865,826	783,942
Roads and city improvements	877,097	823,859	1,700,956	1,497,607
Unrestricted	308,847	443,302	752,149	902,880
Total Net Assets	<u>\$ 4,193,782</u>	<u>\$ 7,338,688</u>	<u>\$ 11,532,470</u>	<u>\$ 10,948,708</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
With Comparative Totals for 2004

	Program Revenues				Net Governmental Activities	Business-type Activities	Memorandum Totals	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions			2005	2004
Governmental activities:								
General government	\$ 1,149,898	\$ 476,224	\$ 16,734	\$ -	\$ (656,940)	\$ -	\$ (656,940)	\$ (415,020)
Public Works	80,549	44,350	2,075	-	(34,124)	-	(34,124)	(7,270)
Highways & public improvements	850,109	351,853	-	167,568	(330,688)	-	(330,688)	(110,872)
Parks, recreation & public property	172,951	129,336	-	5,457	(38,158)	-	(38,158)	(17,879)
Total governmental activities	2,253,507	1,001,763	18,809	173,025	(1,059,910)	-	(1,059,910)	(551,041)
Business-type activities:								
Water	509,268	820,590	-	-	-	311,322	311,322	219,056
Wastewater collection	473,633	775,852	-	-	-	302,219	302,219	253,886
Total business-type activities	982,901	1,596,442	-	-	-	613,541	613,541	472,942
General Revenues:								
Taxes:								
Property taxes levied for general purposes					294,080	-	294,080	271,723
Franchise and phone taxes					226,156	-	226,156	170,573
General sales taxes & highway sales taxes					433,541	-	433,541	393,706
Business licenses					6,208	-	6,208	6,339
Investment income					35,931	34,215	70,146	35,852
Total general revenues					995,916	34,215	1,030,131	878,193
Change in net assets					(63,994)	647,756	583,762	800,094
Net assets - beginning					4,257,776	6,690,932	10,948,708	10,148,614
Net assets - ending					\$ 4,193,782	\$ 7,338,688	\$ 11,532,470	\$ 10,948,708

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2005
With Comparative Totals for 2004

		Other	Memorandum Totals	
	General	Governmental Funds	Governmental Funds 2005	Governmental Funds 2004
ASSETS				
Cash	\$ 384,941	\$ -	\$ 384,941	\$ 496,287
Accounts receivable	58,887	-	58,887	45,672
Taxes receivable	322,326	-	322,326	307,335
Restricted assets:				
Cash	808,135	32,574	840,709	720,868
Taxes receivable	36,388	-	36,388	53,041
Due from other funds	67,448		67,448	74,540
Total assets	<u>\$ 1,678,125</u>	<u>\$ 32,574</u>	<u>\$ 1,710,699</u>	<u>\$ 1,697,743</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 229,755	\$ -	\$ 229,755	\$ 189,337
Deferred revenue	295,000	-	295,000	275,000
Total liabilities	<u>524,755</u>	<u>-</u>	<u>524,755</u>	<u>464,337</u>
Fund Balance:				
Reserved for roads	213,460	-	213,460	175,481
Reserved for cemetery/library	148,493	-	148,493	132,991
Reserved for Capital projects fund	-	32,574	32,574	105,458
Reserved for impact fees	482,570	-	482,570	359,979
Unreserved - undesignated	308,847	-	308,847	459,497
Total fund balance	<u>1,153,370</u>	<u>32,574</u>	<u>1,185,944</u>	<u>1,233,406</u>
Total liabilities and fund balance	<u>\$ 1,678,125</u>	<u>\$ 32,574</u>		
Amounts reported for governmental activities in the statement of net assets are different because:				
Total fund balance -governmental funds				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets for 2005 and 2004 is \$6,057,687 and \$5,812,075, respectively and the accumulated depreciation is \$2,717,251 and \$2,367,159 respectively.			3,340,436	3,444,916
To recognize interest accrual to year end. Accrued interest is for general obligation bonds.			(3,260)	(4,310)
Bond issue costs are reported as expenditures in the governmental funds. The cost is \$19,050 and accumulated amortization is \$7,620 and \$9,575 , respectively for 2005 and 2004.			7,620	9,525
Long-term liabilities, including bonds payable and capital leases are not due and payable in the current period and therefore are not reported in the funds.			(336,958)	(425,761)
Total net assets - governmental activities			<u>\$ 4,193,782</u>	<u>\$ 4,257,776</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
With Comparative Totals for 2004

			Memorandum Totals	
		Other	Governmental	Governmental
	General	Governmental	Funds	Funds
		Funds	2005	2004
Revenues:				
Taxes & special assessments	\$ 953,777	\$ -	\$ 953,777	\$ 836,002
Licenses and permits	360,761	-	360,761	327,139
Intergovernmental	191,834	-	191,834	222,808
Charges for services	525,539	-	525,539	610,930
Fines & forfeitures	95,880	-	95,880	68,791
Investment income	35,931	-	35,931	18,263
Miscellaneous	25,791	-	25,791	24,471
Total revenues	<u>2,189,513</u>	<u>-</u>	<u>2,189,513</u>	<u>2,108,404</u>
Expenditures:				
Current:				
General government	1,156,876	-	1,156,876	895,991
Public works	85,142	-	85,142	45,697
Highways & public improvements	754,493	-	754,493	802,691
Parks, recreation & public property	167,580	72,884	240,464	184,018
Total expenditures	<u>2,164,091</u>	<u>72,884</u>	<u>2,236,975</u>	<u>1,928,397</u>
Excess (deficiency) of revenues over expenditures	25,422	(72,884)	(47,462)	180,007
Other financing sources (uses):				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,422	(72,884)	(47,462)	180,007
Fund balances, beginning of year	<u>1,127,948</u>	<u>105,458</u>	<u>1,233,406</u>	<u>1,053,399</u>
Fund balances, end of year	<u>\$ 1,153,370</u>	<u>\$ 32,574</u>	<u>\$ 1,185,944</u>	<u>\$ 1,233,406</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$	(47,462)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	264,963		
Depreciation expense	<u>(369,443)</u>		(104,480)

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	71,000		
Repayment of capital lease principal	17,803		
Interest expense - general obligation bonds	1,050		
Amortization of bond issuance costs	<u>(1,905)</u>		<u>87,948</u>

Change in net assets of governmental activities	\$	<u>(63,994)</u>
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CITY OF PROVIDENCE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 296,500	\$ 295,500	\$ 294,080	\$ (1,420)
General sales & use taxes	357,000	433,000	433,541	541
Franchise and phone taxes	144,500	236,000	226,156	(9,844)
Total taxes	<u>798,000</u>	<u>964,500</u>	<u>953,777</u>	<u>(10,723)</u>
Licenses & permits:				
Business licenses & permits	6,300	6,200	6,208	8
Non-business licenses & permits	222,300	331,100	354,553	23,453
Total licenses & permits	<u>228,600</u>	<u>337,300</u>	<u>360,761</u>	<u>23,461</u>
Intergovernmental revenues:				
Class "C" roads	189,000	185,000	167,568	(17,432)
State liquor allotment	2,000	2,100	2,075	(25)
State/Local funding	56,000	22,300	22,191	(109)
Total intergovernmental revenues	<u>247,000</u>	<u>209,400</u>	<u>191,834</u>	<u>(17,566)</u>
Charges for services:				
Sanitation	265,000	290,000	293,853	3,853
Parks & public property	35,000	32,300	35,617	3,317
Communication center	39,000	44,000	44,350	350
Burial permits/cemetery lot sales	17,000	12,500	16,076	3,576
Impact fees	166,200	272,600	135,643	(136,957)
Total charges for services	<u>522,200</u>	<u>651,400</u>	<u>525,539</u>	<u>(125,861)</u>
Fines & forfeitures:				
Court fines	67,800	83,700	95,880	12,180
Miscellaneous:				
Interest	15,200	2,500	35,931	33,431
Donations	-	100	66	(34)
Other	20,800	29,800	25,725	(4,075)
Transfers	222,800	222,800	-	(222,800)
Total Miscellaneous	<u>258,800</u>	<u>255,200</u>	<u>61,722</u>	<u>(193,478)</u>
Total Revenues	<u>\$2,122,400</u>	<u>\$ 2,501,500</u>	<u>\$2,189,513</u>	<u>\$ (311,987)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PROVIDENCE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General government:				
Administration	\$ 1,084,950	\$ 1,352,150	\$ 898,504	\$ 453,646
Court	36,050	63,500	52,409	11,091
Community Development	72,750	77,300	185,803	(108,503)
Library	28,900	25,000	20,160	4,840
Total general government	1,222,650	1,517,950	1,156,876	361,074
Public Works:				
Public works	73,650	99,900	85,142	14,758
Total Public Works	73,650	99,900	85,142	14,758
Highways & public improvements:				
Streets & highways	371,950	493,900	457,906	35,994
Sanitation	265,000	295,000	296,587	(1,587)
Total highways & improvements	636,950	788,900	754,493	34,407
Parks, Recreation & Public Property:				
Parks and recreation	162,950	206,950	148,381	58,569
Cemetery	26,200	27,800	19,199	8,601
Total parks, recreation & public property	189,150	234,750	167,580	67,170
TOTAL EXPENDITURES	2,122,400	2,641,500	2,164,091	477,409
Excess (deficiency) of revenues over expenditures	-	(140,000)	25,422	165,422
Other financing sources (uses)				
Transfers	-	-	-	-
Net change in fund balance	-	(140,000)	25,422	165,422
Fund Balance at beginning of year	1,127,948	1,127,948	1,127,948	-
Fund Balance at end of year	<u>\$ 1,127,948</u>	<u>\$ 987,948</u>	<u>\$ 1,153,370</u>	<u>\$ 165,422</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
With Comparative Totals for 2004

	WATER UTILITIES	WASTEWATER COLLECTION	Memorandum Totals	
			2005	2004
ASSETS				
Current assets:				
Cash	\$ 10,291	\$ 442,095	\$ 452,386	\$ 420,614
Accounts receivable	53,356	67,234	120,590	114,713
Bond discounts	40,078	-	40,078	45,747
Restricted cash	1,369,650	320,035	1,689,685	1,507,640
Total current assets	1,473,375	829,364	2,302,739	2,088,714
Capital assets				
Land and water rights	251,270	38,596	289,866	288,116
Buildings	195,724	-	195,724	195,724
Improvements other than building	5,279,093	5,513,943	10,793,036	10,439,223
Equipment	108,409	69,033	177,442	177,442
Less Accumulated depreciation	(1,113,919)	(1,837,000)	(2,950,919)	(2,679,841)
Total capital assets	4,720,577	3,784,572	8,505,149	8,420,664
TOTAL ASSETS	6,193,952	4,613,936	10,807,888	10,509,378
LIABILITIES				
Current liabilities:				
Checks in excess of deposits	69,696	-	69,696	15,219
Accounts payable	54,994	23,974	78,968	104,387
Interest payable	21,088	-	21,088	23,300
Total current liabilities	145,778	23,974	169,752	142,906
Long-term liabilities:				
Bond, leases, notes payable - due within a year	179,000	202,092	381,092	376,092
Due in more than one year	2,273,000	645,356	2,918,356	3,299,448
Total long -term liabilities	2,452,000	847,448	3,299,448	3,675,540
Total liabilities	2,597,778	871,422	3,469,200	3,818,446
NET ASSETS				
Invested in capital assets, net of related debt	2,268,577	2,937,124	5,205,701	4,745,124
Restricted	1,369,650	320,035	1,689,685	1,507,640
Unrestricted	(42,053)	485,355	443,302	438,168
Total net assets	\$ 3,596,174	\$ 3,742,514	\$ 7,338,688	\$ 6,690,932

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

With Comparative Totals for 2004

	WATER UTILITIES	WASTEWATER COLLECTION	Memorandum Totals	
			2005	2004
OPERATING REVENUES:				
Charges for services	\$ 795,514	\$ 768,132	\$ 1,563,646	\$ 1,409,452
Other operating revenues	25,076	7,720	32,796	6,508
Total operating revenues	<u>820,590</u>	<u>775,852</u>	<u>1,596,442</u>	<u>1,415,960</u>
OPERATING EXPENSES				
Salary and benefits	147,000	75,800	222,800	180,173
Other operating expenses	144,912	262,052	406,964	409,920
Depreciation	<u>135,297</u>	<u>135,781</u>	<u>271,078</u>	<u>265,504</u>
Total operating expenses	<u>427,209</u>	<u>473,633</u>	<u>900,842</u>	<u>855,597</u>
Operating income	<u>393,381</u>	<u>302,219</u>	<u>695,600</u>	<u>560,363</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	24,349	9,866	34,215	17,589
Interest charges	<u>(82,059)</u>	<u>-</u>	<u>(82,059)</u>	<u>(87,421)</u>
Total non-operating revenue (expense)	<u>(57,710)</u>	<u>9,866</u>	<u>(47,844)</u>	<u>(69,832)</u>
Change in net assets	335,671	312,085	647,756	490,531
Total net assets - beginning	<u>3,260,503</u>	<u>3,430,429</u>	<u>6,690,932</u>	<u>6,200,401</u>
Total net assets -ending	<u>\$ 3,596,174</u>	<u>\$ 3,742,514</u>	<u>\$ 7,338,688</u>	<u>\$ 6,690,932</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005
With Comparative Totals for 2004

	WATER UTILITIES	WASTEWATER COLLECTION	Memorandum Totals	
			2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 828,438	\$ 762,127	\$ 1,590,565	\$ 1,413,969
Payments to suppliers	(158,635)	(270,291)	(428,926)	(309,453)
Payments to employees	(147,000)	(75,800)	(222,800)	(180,173)
Net cash provided by operating activities	<u>522,803</u>	<u>416,036</u>	<u>938,839</u>	<u>924,343</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(215,924)	(139,639)	(355,563)	(230,655)
Principal paid on capital debt	(174,000)	(202,092)	(376,092)	(456,092)
Interest paid on capital debt	(82,059)	-	(82,059)	(87,421)
Net cash used by capital and related financing activities	<u>(471,983)</u>	<u>(341,731)</u>	<u>(813,714)</u>	<u>(774,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>24,349</u>	<u>9,866</u>	<u>34,215</u>	<u>17,589</u>
Net increase in cash and cash equivalents	75,169	84,171	159,340	167,764
Cash and equivalents at beginning of year	<u>1,235,076</u>	<u>677,959</u>	<u>1,913,035</u>	<u>1,745,271</u>
Cash and equivalents at end of year	<u><u>\$ 1,310,245</u></u>	<u><u>\$ 762,130</u></u>	<u><u>\$ 2,072,375</u></u>	<u><u>\$ 1,913,035</u></u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 393,381	\$ 302,219	\$ 695,600	\$ 560,363
Adjustments to reconcile net income from operations to net cash provided by operating activities:				
Depreciation/amortization	135,297	135,781	271,078	265,504
Changes in assets & liabilities:				
Decrease (increase) in receivables	7,848	(13,725)	(5,877)	(1,991)
Decrease (increase) in other assets	5,669	-	5,669	5,669
Increase (decrease) in accruals	(19,392)	(8,239)	(27,631)	94,798
Total adjustments	<u>129,422</u>	<u>113,817</u>	<u>243,239</u>	<u>363,980</u>
Net cash provided by operating activities:	<u><u>\$ 522,803</u></u>	<u><u>\$ 416,036</u></u>	<u><u>\$ 938,839</u></u>	<u><u>\$ 924,343</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is

incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as

revenue as soon as all eligibility requirements imposed by the provider have been met. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.

The Wastewater Collection fund accounts for the operation and maintenance of the City-owned collection system for wastewater.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	15 years
Improvements other than buildings	20 years

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made several budget adjustments through a public hearing.

Capitalized Interest

The City capitalizes interest costs and interest earned as part of the cost of constructing various buildings, water and sewer projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Issue Costs

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

- A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$6,057,687
Accumulated depreciation	<u>(2,717,251)</u>
Total difference	<u>\$3,340,436</u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases	\$ (336,958)
Bond issue costs, net of amortization	7,620
Bond interest accrual	<u>(3,260)</u>
	<u>\$ (332,598)</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	264,963
Depreciation expense	<u>(369,443)</u>
Net difference as reported	<u>\$(104,480)</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 71,000
Repayment of capital lease principal	17,803
Interest expense - general obligation bonds	1,050
Amortization of bond issuance costs	<u>(1,905)</u>
	<u>\$ 87,948</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash, savings and investments

The City meets the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and/or which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of, and adhering to, the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. All cash and investment accounts are insured, registered, or held by the City, or its agent, in the City's name.

Cash and cash equivalents are deposited with several financial institutions and the State of Utah Public Treasurer's Investment Pool.

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Checking:			
Bank of Utah	384,982	771,314	Pool
Savings:			
Bank of Utah	139,909	139,909	General
Bank of Utah	313,684	313,684	Sewer
Bank of Utah	40,551	40,551	General
Bank of Utah	331,966	331,966	General
Bank of Utah	494,257	494,257	Water
US Bank	32	32	General
Cache Valley Bank	64,726	64,726	General
Cache Valley Bank	43,216	43,216	General
U.S. Bank	247	247	Water
U.S. Bank	117,238	117,238	Water
U.S. Bank	40,419	40,419	Water
U.S. Bank	55,738	55,738	Water
U.S. Bank	166,260	166,260	Water
U.S. Bank	113,369	144	Water
U.S. Bank	136,709	136,709	Water
U.S. Bank	9	9	Water
U.S. Bank	71,696	23,481	Water
U.S. Bank	115,299	115,299	Water
<u>Description</u>	<u>Amount</u>	<u>Rate</u>	<u>Fund</u>
Investments:			
Public treasurer's investment fund	412,243	Various	Pool
Public treasurer's investment fund	3,052	Various	Water
Public treasurer's investment fund	45,785	Various	Water
Public treasurer's investment fund	10,291	Various	Water
Public treasurer's investment fund	106,450	Various	Sewer
Public treasurer's investment fund	86,712	Various	General

The City's carrying amount of bank deposits at June 30, 2005 is \$ 2,630,307 and the bank balance is \$ 2,855,199. Of the bank balance, \$ 400,000 is covered by federal depository insurance (FDIC) and \$2,455,199 is not insured.

The interest rate paid on the Public Treasurer's Investment Fund accounts during the 2004-2005 fiscal year varied from 1.7032% to 3.1816 %. The "pool" is a convenient deposit-type investment administered by the State Treasurer's office and offers daily liquidity. Pool deposits are invested mainly in short term investment securities including time certificates of deposit and treasury bills, all of which are in compliance with the Utah Money Management Act.

Note 4: Accounts receivable

Providence City has accounts and taxes receivable as of June 30, 2005, as follows:

General:			
Garbage		\$ 30,755	
Property taxes		306,577	
Court		14,538	
Dispatch		4,194	
Franchise tax		15,749	
Professional services		5,753	
Lot sales		750	
Other receivables		<u>2,897</u>	
Total general			\$ 381,213
Enterprise funds:			
Water fund:			
Sales	\$ 53,356		
Total water		53,356	
Sewer fund:			
Services	<u>67,234</u>		
Total sewer fund		<u>67,234</u>	
Total enterprise fund			<u>120,590</u>
Total accounts receivable			<u>\$ 501,803</u>

Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash, cash equivalents, investments and receivables:

General fund:			
Accounts receivable - Class C	\$ 36,388		
Cash - perpetual care	40,551		
Cash - park impact fees	338,161		
Cash - road reserve	86,712		
Cash - Class C road	90,360		
Cash - road impact fees	144,409		
Cash -savings	43,216		
Cash - library	<u>64,726</u>		
Total general fund		\$ 844,523	
Capital projects fund		32,574	

Enterprise funds:**Water fund:**

Cash - revenue bond sinking/reserve	364,124	
Cash - bond proceeds	501,702	
Cash - impact fees	<u>503,824</u>	
Total water fund		1,369,650

Sewer fund:

Cash - impact fees	<u>320,035</u>	
Total sewer fund		<u>320,035</u>

Total enterprise funds		<u>1,689,685</u>
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Total restricted assets		<u>\$ 2,566,782</u>
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Note 6: Due from/to other funds

The City has designated \$110,000 due to the general fund from the sewer fund arising from the City's sewer project. During the year \$ 7,092 was paid off, leaving a balance of \$ 67,448.

Note 7: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2005, are as follows:

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2005</u>
Land and improvements:				
By cemetery	\$ 82,854	\$	\$	\$ 82,854
Land by spring	8,000			8,000
City Hall property	39,445			39,445
Bringhurst hollow	33,750			33,750
Von's park	101,246			101,246
Uptown park (school area)	24,979			24,979
New shop property	13,333			13,333
Zollinger's park	353,363			353,363
Sprinkler system - park	15,203			15,203
Cemetery	179,100	5,550		184,650
Fence - cemetery	6,077			6,077
Leonhardt land	12,000			12,000
Morris Mathews land donation	25,000			25,000
Hoth land	25,000			25,000
Land-roads	58,260			58,260
Veteran's memorial	14,209			14,209
City parks (various)	126,337	48,383		174,720
Soccer field	82,905			82,905
Braegger park	23,626			23,626
300 East	14,479			14,479

Ball field	13,009			13,009
Cattle coral	8,163			8,163
Canyon parking lots	2,615			2,615
Retention pond	—	3,400		3,400
Tennis courts	<u>44,139</u>	<u> </u>	<u> </u>	<u>44,139</u>
Total	<u>1,307,092</u>	<u>57,333</u>	<u> </u>	<u>1,364,425</u>
Buildings and improvements:				
Zollinger park building	23,814			23,814
Park Pavilion	13,515			13,515
Shop	91,216			91,216
Equipment shed	17,318			17,318
City office building	110,366			110,366
Monument	2,954			2,954
Scorer's building uptown park	4,000			4,000
Vehicle storage building	—	71,899		71,899
Library	<u>167,255</u>	<u> </u>	<u> </u>	<u>167,255</u>
Total	<u>430,438</u>	<u>71,899</u>	<u> </u>	<u>502,337</u>
Furniture, fixtures, and equipment:				
General government	83,446	34,228	1,120	116,554
Planning and zoning	585			585
Public safety	22,532	11,350		33,882
Streets	339,083		7,899	331,184
Parks	101,498		4,281	97,217
Cemetery	<u>34,469</u>	<u> </u>	<u>6,051</u>	<u>28,418</u>
Total	<u>581,613</u>	<u>45,578</u>	<u>19,351</u>	<u>607,840</u>
Infrastructure	<u>3,492,932</u>	<u>90,153</u>	<u> </u>	<u>3,583,085</u>
TOTAL	<u>5,812,075</u>	<u>264,963</u>	<u>19,351</u>	<u>6,057,687</u>
Accumulated Depreciation	<u>(2,367,159)</u>	<u>(369,443)</u>	<u>(19,351)</u>	<u>(2,717,251)</u>
TOTAL NET ASSETS	<u>\$3,444,916</u>	<u>\$(104,480)</u>	<u> </u>	<u>\$3,340,436</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 27,250
Streets	276,132
Parks and Recreation	45,397
Public Works	6,757
Cemetery	<u>13,907</u>
Total Depreciation Expense	<u>\$ 369,443</u>

Note 8: Accounts payable

Accounts payable consist of amounts incurred and due at June 30, 2005, but which have not been paid as follows:

General:

Accounts and employee benefits	\$ 87,741	
Payroll and payroll taxes	30,548	
Subdivision deposit	14,081	
Utility deposits	17,435	
Digging deposits	5,250	
Power deposits	<u>74,700</u>	
Total general		\$ 229,755

Enterprise funds:**Water funds:**

Accounts	\$ 54,994	
Interest	<u>21,088</u>	
Total water		76,082

Sewer:

Accounts	<u>23,974</u>	
Total sewer		<u>23,974</u>

Total enterprise funds 100,056

Total accounts payable \$ 329,811

Note 9: Capital projects funds

The City has established one capital project fund to account for monies set aside for City capital projects.

Note 10: Changes in long-term debt

The following is a summary of long-term debt transactions of the City's proprietary fund types for the year ended June 30, 2005:

Bonds payable at July 1, 2004	\$ 3,601,000
Less: payment of principal	<u>(369,000)</u>
Bonds payable at June 30, 2005	<u><u>\$ 3,232,000</u></u>

Bonds payable at June 30, 2005, are comprised of the following individual issues:

Water:

\$1,300,000 water revenue bonds due to U.S. Bank
in varying annual payments including interest at 5.0% per annum.
Payments of interest and interest plus principal ranging from
\$4,700 to \$194,525 are due on January and July 1 of each year.
The principal and interest will be completely
retired on July 1, 2012. \$ 889,000

\$440,000 water revenue bonds due to U.S. Bank
in annual payments of \$88,000 including interest at 0.0% per annum.
Payments of principal are due on January 1 in years 2004 -2008.
The principal will be completely retired on January 1, 2008. 264,000

\$1,350,000 water revenue bonds due to U.S. Bank in varying annual
payments including interest at 2.9% per annum. Payments of principal
and interest are due on May 1 of each year. The principal and interest will be
completely retired on May 1, 2022. 1,299,000

Total water 2,452,000

Sewer:

\$3,500,000 was received from the Water Pollution Security Enhancement
Fund through the State of Utah of Environmental Protection Agency.
Annual payments of \$194,000 commenced in 1992 with a 0% interest rate
and will continue through 2001. Beginning 2002, annual payments of \$195,000
will continue until 2009 wherein the debt will be completely retired. 780,000

Total sewer 780,000

Total bonds payable \$ 3,232,000

The following is a summary of bond principal maturities and interest requirements:

<u>Year ending</u> <u>June 30</u>	<u>Total</u> <u>outstanding</u>
2006	\$ 453,846
2007	453,196
2008	530,321
2009	370,788
2010	261,647
2011 - 2016	1,055,862
2016 - 2021	571,335
2021 - 2022	<u>114,219</u>
Total	3,811,214
Less interest	<u>(579,214)</u>
Outstanding principal	<u>\$ 3,232,000</u>

The following represents those long-term liabilities that are not reported as fund liabilities but are reported in the statement of net assets.

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
Revenue anticipation bonds	\$ 388,000	\$	\$ 71,000	\$ 317,000
Capital leases	<u>37,761</u>	<u> </u>	<u>17,803</u>	<u>19,958</u>
Total	<u>\$ 425,761</u>	<u>\$</u>	<u>\$ 88,803</u>	<u>\$ 336,958</u>

\$700,000 of Excise Tax Road Bonds are due to Bank One with interest of 4.5% annually. Interest is due February 1, May 1, August 1, and November 1 of each year with principal ranging from \$14,000 to \$22,000 due on February 1, May 1, August 1, and November 1 each year. The principal and interest will be completely retired on May 1, 2009.

Year Ending <u>June 30</u>	Total debt <u>outstanding</u>	Total capital leases <u> </u>
2006	87,039	15,797
2007	86,653	4,875
2008	87,120	
2009	<u>87,408</u>	<u> </u>
Total	348,220	20,672
Less interest	<u>(31,220)</u>	<u>(714)</u>
Outstanding principal	<u>\$ 317,000</u>	<u>\$ 19,958</u>

Note 11: Reserved fund equity

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - road reserve	\$ 86,712	
Reserved - Class C road allotment	126,748	
Reserved - park impact fees	338,161	
Reserved - perpetual care	40,551	
Reserved - savings	43,216	
Reserved - library	64,726	
Reserved - road impact fees	<u>144,409</u>	
Total general fund		\$844,523

Capital project fund:

Reserved - city shop		32,574
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Enterprise funds:

Water fund (retained earnings):

Reserved - sinking/reserve	364,124
Reserved - bond proceeds	501,702
Reserved - impact fees	<u>503,824</u>
Total water fund	<u>1,369,650</u>

Sewer fund (retained earnings):

Reserved - impact fees	<u>320,035</u>
Total sewer fund	<u>320,035</u>

Total enterprise funds 1,689,685

Total reserved fund equity \$2,566,782

Note 12: Insurance and bond coverage

Providence City has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Issuer</u>	<u>Policy #</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust	13080-GL045-2004	\$2,000,000	Continuous
Buildings	Unigard	PX809764	1,280,700	7-1-05
Contents			312,164	
Equipment			82,575	
Automobile	Unigard	BA-900004	457,215	7-1-05
Bonds:				
City Treasurer/City Recorder	Allied Mutual	BD7900541202	177,000	9-1-05

Note 13: Water users and rates

The Providence City water and sewer utility funds service both residential and commercial users. As of June 30, 2005, there were the following number of users in each category:

	<u>Water</u>	<u>Sewer</u>
Residential	1,622	1,538
Commercial	<u>53</u>	<u>42</u>
Total	<u>1,675</u>	<u>1,580</u>

	<u>City</u>	<u>County</u>
Water rates:		
Standard monthly service	\$ 20.25	*first 10,000 gallons
Commercial monthly service		

Overage charges for City and County

10,000 to 40,000	\$.40 per 1,000 gallons
41,000 to 60,000	\$.65 per 1,000 gallons
60,000 +	\$1.15 per 1,000 gallons

*Determined by size of water pipe

Garbage rates:	
Standard monthly service	\$ 8.40/ 60 gallons
Standard monthly service	\$ 12.25/ 90 gallons
Commercial monthly service	*

* Determined by service area according to volume and number of pickups.

Sewer rates:		
Standard residential service	\$ 29.15	N/A
Multi-unit complex	\$ 29.15	N/A
Standard Commercial	\$ 29.15	N/A
Regulated Commercial	*	

* Determined by Logan City according to type of business

Note 14: Defined benefit pension plan

Plan Description. Providence City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living allowances and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City contributions to the Noncontributory Retirement System for June 30, 2005, 2004, and 2003 were \$52,383, \$41,495, and \$32,108 respectively. The contributions were equal to the required contributions for each year.

Note 15: Defined contribution plan (or 401(k) plan)

Providence City provides supplemental pension benefits for all of its full-time employees through a defined contribution Section 401(k) plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Employee contributions are optional within prescribed limits. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into the plan.

The employees made \$ 8,589 in optional contributions.

Note 16: Other assets

Water fund:

Providence City owns water shares in two irrigation companies and carries amounts in the water fund at the cost of such certificates as purchased since July 1, 1980. Water shares purchased since 1980 and capitalized in the water fund total \$128,762 at June 30, 2005. Certificates held prior to that date have never been recorded as follows:

	<u>Shares</u>
Springcreek Irrigation	74.00
Blacksmith Fork Irrigation	<u>135.25</u>
Total	<u>209.25</u>

Therefore, the water fund has an unrecognized value associated to the water shares of the irrigation companies.

Note 17: Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 18: Segment information

The following information is presented for the water and sewer utility funds of Providence City:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Water fund:</u>				
Fixed Assets	\$ 5,618,572	\$ 215,924	\$	\$ 5,834,496
Accumulated Depreciation	978,622	135,297		1,113,919
<u>Sewer fund:</u>				
Fixed Assets	\$ 5,481,933	\$ 139,639	\$	\$ 5,621,572
Accumulated Depreciation	1,701,219	135,781		1,837,000

Net working capital for the water and sewer utility funds is calculated as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Current Assets:		
Cash	\$ 1,310,245	\$ 762,130
Receivables	53,356	67,234
Less Current Liabilities:		
Accounts Payable	(76,082)	(23,974)
Current portion of Long-Term Debt	<u>(179,000)</u>	<u>(202,092)</u>
Net Working Capital	<u>\$ 1,108,519</u>	<u>\$ 603,298</u>

SUPPLEMENTAL SECTION

CITY OF PROVIDENCE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
With Comparative Totals for 2004

		Memorandum Totals	
		Total Nonmajor Governmental Funds 2005	Total Nonmajor Governmental Funds 2004
	<u>Capital Projects</u>		
ASSETS			
Cash - restricted	\$ 32,574	\$ 32,574	\$ 105,458
Total assets	<u>\$ 32,574</u>	<u>\$ 32,574</u>	<u>\$ 105,458</u>
Fund Balance:			
Reserved for city yard & facilities	\$ 32,574	\$ 32,574	\$ 105,458
Total fund balance	32,574	32,574	105,458
Total liabilities and fund balance	<u>\$ 32,574</u>	<u>\$ 32,574</u>	<u>\$ 105,458</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
With Comparative Totals for 2004

		Memorandum Totals	
		Total Nonmajor Governmental Funds 2005	Total Nonmajor Governmental Funds 2004
	Capital Project General		
Revenues:			
Investment income	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Parks, recreation & public property	72,884	72,884	40,635
Total expenditures	72,884	72,884	40,635
Excess (deficiency) of revenues over expenditures	(72,884)	(72,884)	(40,635)
Other financing sources (uses):			
Transfers in	-	-	60,000
Net change in fund balances	(72,884)	(72,884)	19,365
Fund balance, beginning of year	105,458	105,458	86,093
Fund balance, end of year	\$ 32,574	\$ 32,574	\$ 105,458

The notes to the financial statements are an integral part of this statement.



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Providence
Providence, Utah

We have audited the financial statements of the City of Providence, Utah (the City) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we

consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated September 20, 2005.

This report is intended for the information of the City Council and management, and certain legislative bodies. However, this report is a matter of public record and its distribution is not limited.

Peterson Alured Jackson

September 20, 2005



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Providence
Providence, Utah

We have audited the financial statements of the City of Providence, Utah (the City), for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2005.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Providence, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Peterson Alfred Jackson

September 20, 2005



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

September 20, 2005

Mayor Alma Leonhardt
City of Providence
Providence, Utah

Dear Mayor Leonhardt:

In planning and performing our audit of the financial statements of Providence, Utah (the City), for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the City's general purpose financial statements for the year ended June 30, 2004, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDINGS

Finding: *Budgetary-unreserved general fund balance.* The general fund's unreserved fund balance is in excess of the amount permitted by state law. The requirement of assessing compliance in this area indicates the general fund unreserved fund balance is in excess by approximately \$ 23,000.

Recommendation: We recommend that the City make this amount available for appropriation for the current fiscal year. Caution should be taken however, as a large portion of property taxes are paid to the City in January of each year to be allocated throughout the year. Allowances should be made to insure proper funding for the final six months prior to the next bulk property tax payment.

Management response: The City is aware of the general fund unreserved fund balance excess and are making this amount available for budgeting and appropriation in current fiscal years. During the past year the City transferred \$60,000 to the capital projects fund. We, however, note that the excess fund balance will be gradually reduced to an acceptable level over the next several months by significant road projects and normal operations. The June 30 amount is artificially high because cash amounts must be retained for operation and project expenditures occurring July through December. Large property tax distributions are made in December and January of each year with smaller amounts paid over the other ten months. We must, therefore, of necessity, retain sufficient to provide proper funding until the next large property tax distribution is made.

Status: The City was within the allowed limits required by the state for general fund unreserved fund balance as of 6/30/05.

Finding: Fidelity bond. The City did not have enough fidelity bond coverage as required by the State as of June 30, 2004.

Recommendation: Increase the fidelity bond to sufficiently meet all State requirements.

Management response: The City staff is aware of the bonding requirements. We will work with our insuring agency to increase the fidelity bond to sufficiently meet all State requirements.

Status: The City's treasurer fidelity bond was not increased during the year and they are still out of compliance as of 6/30/05. See current year finding.

CURRENT YEAR FINDINGS

Finding: Fidelity bond. The City did not have enough fidelity bond coverage by approximately \$50,000 as required by the State as of June 30, 2005.

Recommendation: Increase the fidelity bond to sufficiently meet all State requirements.

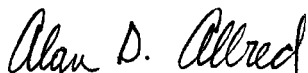
Management response: Management has reviewed the State of Utah Uniform Accounting Manual Reference I.C.05.02 regarding the public Treasurer Bonding Requirements.

The budgeted gross revenue including all funds collected or handled by the public treasurer for year-end June 30, 2005 is \$3,981,383, which requires a bond amount of \$238,883. Providence City anticipates the budgeted gross revenue for year-end June 30, 2007 to be approximately \$5,000,000. Because the fidelity bond is renewed every two years, Providence City has applied for a \$300,000 bond on both the city treasurer and city recorder.

In conclusion, we wish to recognize Skarlet Bankhead, Brenda Nelson, Terri Lewis, Tara Bankhead, and Beth Munson, for their excellent service provided to Providence City. The entire staff have been most cooperative in assisting us in the performance of the audit for the 2004-2005 fiscal year. The performance of the Providence City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to service as independent auditors.

Sincerely,

PETERSON ALLRED JACKSON



Alan D. Allred, CPA